

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 4, 2007

TO: Honorable Helen Giddings, Chair, House Committee on Business & Industry

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB1306 by Taylor (Relating to workers' compensation subclaims.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB1306, As Introduced: an impact of \$0 through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from DEPT INS OPERATING ACCT 36	Probable Revenue Gain from DEPT INS OPERATING ACCT 36	Probable (Cost) from INTERAGENCY CONTRACTS 777	Change in Number of State Employees from FY 2007
2008	(\$3,238,932)	\$3,238,932	(\$518,942)	38.0
2009	(\$2,482,352)	\$2,482,352	(\$81,000)	38.0
2010	(\$2,482,352)	\$2,482,352	(\$81,000)	38.0
2011	(\$2,482,352)	\$2,482,352	(\$81,000)	38.0
2012	(\$2,482,352)	\$2,482,352	(\$81,000)	38.0

Fiscal Analysis

The bill would amend the Labor Code concerning workers' compensation subclaims. The bill would broaden the scope of a hearing officer's decision and order to include awarding medical benefits to a health care insurer as a sub-claimant when a compensability dispute is being adjudicated. The bill would bar a workers' compensation carrier from claiming that preauthorization was not sought or that the Health Care Provider did not bill the workers' compensation carrier within 95 days after the date of the service as a defense against reimbursement of the insurer. The bill provides that the insurer is not required to seek reimbursement from the health care provider.

The bill provides that when there is no compensability dispute, the health care insurer and the insurance carrier shall proceed directly to a contested case hearing (CCH) when there is a dispute

regarding whether the insurer should be reimbursed. Mediation through a benefit review conference is not required in order to proceed to a CCH.

The bill would be apply to claims with dates of injury on or after September 1, 2002. The bill would take effect September 1, 2007.

Methodology

Based on the analysis of the Texas Department of Insurance (TDI), it is assumed the bill would result in an increase of 4,000 CCHs held each year. It is assumed there would be costs for the Indemnity Dispute Resolution department at TDI associated with implementing the provisions of the bill. These costs would include salaries for 31 FTEs: 25 Administrative Law Judge II, five Legal Secretary III, and one Administrative Assistant II, in the amount of \$1,617,901 each fiscal year with associated benefit costs of \$457,707 each fiscal year. Training costs, including specialized medical fee training and training-related expenses, for these FTEs would be \$357,700 in fiscal year 2008. Standard travel costs for these FTEs would be \$53,178 each fisacl year. Additional building space at the field offices would be required for these FTEs at a cost of \$77,820 each fiscal year. There would be one-time costs in fiscal year 2008 of \$70,000 for construction and re-organization of office layouts and \$232,113 for equipment. Other operating costs including telephone and supplies would be \$41,827 each fiscal year for Indemnity Dispute Resolution.

It is assumed there would be costs for the Field Operations and Field Services departments at TDI as well. These costs would include salaries for 7 FTEs, all Administrative Assistant II, in the amount of \$174,860 each fiscal year with associated benefit costs of \$49,468. There would be a one-time cost in fiscal year 2008 of \$96,768 for equipment. Other operating costs including telephone and supplies would be \$9,590 for Field Operations and Field Services.

Costs to TDI would be paid from General Revenue - Dedicated Fund 36. Since General Revenue - Dedicated Account Fund 36 is a self-leveling account, this analysis assumes all costs would be paid from fund balances or new revenues.

Based on the analysis of the State Office of Risk Management (SORM), it is assumed that 162 subclaims in fiscal year 2008 and 27 qualifying subclaims each subsequent fiscal year would be subject to the bill. Total claims in fiscal year 2008 would include all respective claims from September 1, 2002 through August 31, 2008. Under these assumptions, costs incurred as a result of the bill at SORM would total \$518,942 in fiscal year 2008 and \$81,000 in subsequent fiscal years. These costs are shown in the table above as Interagency Contracts. This amount represents the additional amount SORM would be required to collect from state agencies through its workers' compensation assessment program.

It is assumed any costs incurred at the Texas A&M University System Administration and University of Texas System Administration as a result of the bill could be absorbed within existing resources. The Department of Transportation has assumed that it would not realize any fiscal implication with implementing the provisions of the bill.

Technology

There would be a one-time technology impact in fiscal year 2008 to TDI of \$36,100 for the purchase of computer hardware and software.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance, 479 State Office of Risk Management, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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